

Gina Harrison

1. Information Systems

PACIFIC TELESIS
Group Washington

May 28, 1996

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

Dear Mr. Caton:

Re: *RM-8181, Petition for Declaratory Ruling by the Inmate Calling Services
Providers Task Force*

On behalf of Pacific Bell and Nevada Bell, please find enclosed an original and six
copies of their "Reply in Support of Petition for Waiver" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact
me should you have any questions or require additional information concerning this
matter.

Sincerely,



Enclosure

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)
)
Petition for Declaratory Ruling by) RM-8181
the Inmate Calling Services)
Providers Task Force)

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OFFICE OF SECRETARY

REPLY IN SUPPORT OF PETITION FOR WAIVER

Pacific Bell and Nevada Bell (the "Pacific Companies") submit that nothing in the oppositions of the Inmate Calling Services Providers Task Force (the "Inmate Task Force") and MCI warrants denial of the Pacific Companies' petition for a short-term waiver of the Commission's February 20, 1996 Declaratory Ruling. The Pacific Companies demonstrated good cause for the exercise of the Commission's discretion to grant a waiver pending deregulation of all payphones pursuant to the rulemaking to be conducted under the Telecommunications Act of 1996 (the "Act").

The Inmate Task Force claims that transferring inmate payphones to deregulated accounts will be "relatively easy" under existing CPE accounting rules. As demonstrated in the Petition for Partial Reconsideration or Stay filed by the Bell Atlantic telephone companies, BellSouth Telecommunications, the NYNEX telephone companies and the Pacific Companies, this is wrong. In fact, reclassifying inmate payphones will require the LECs to distinguish between

inmate payphones and regulated payphones, which may require a manual record review or physical inspections of payphone facilities.

By November of this year, the Commission will have promulgated rules deregulating all payphones pursuant to the Act, and the Pacific Companies and other affected LECs can simply transfer all assets dedicated to the provision of payphone service to deregulated accounts. The book transfers, employee training, and extensive accounting and time reporting modifications that deregulation will require should only be done once, and should be done when the Commission has had an opportunity to complete the comprehensive payphone rulemaking contemplated under the Act. A waiver would be consistent with the Act's intent, in that it would allow the Commission to adopt and implement a single, comprehensive set of rules deregulating payphones. Granting a waiver would avoid the needless expense of distinguishing among payphone assets and transferring some, but not all, of those assets to deregulated accounts, and would ensure that the Act is implemented only once rather than on a piecemeal basis.

The Inmate Task Force argues that the Commission's "CPE waiver standard" prevents a waiver in this instance. This argument is wrong because the Pacific Companies do not seek an indefinite waiver of the order deregulating inmate payphones. Rather, the Pacific Companies seek a short-term waiver ensuring that inmate payphones are deregulated at the same time, and according to the same rules, as other payphones under the Act. The appropriate standard for considering such a waiver is that articulated in the authorities cited by the Pacific Companies in their original petition--whether good cause exists to grant a waiver. For all the reasons set forth above and in the Petition for Partial Reconsideration or Stay, abundant good cause exists to grant a waiver under these circumstances.

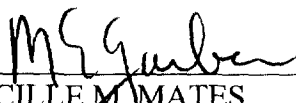
MCI argues that the waiver request should be denied because the Order was released after the passage of the Act and because a grant of the waiver would allow subsidization of inmate

payphones with regulated charges. Neither of these arguments warrant denial of the waiver request, because neither goes to the grounds for granting a waiver. Granting a waiver is in the public interest because it will ensure that payphones are deregulated pursuant to the same set of rules, and will avoid the needless expense and effort created from having to distinguish inmate payphones from other payphones. Finally, MCI argues that, if a waiver is granted, the Pacific Companies should keep track of inmate payphone-related investment and expenses from September 2, 1996 until deregulation, and reimburse interstate ratepayers for those expenses. This approach is unjustified in the current price-cap regulatory environment.

For all the reasons stated above and in the Pacific Companies' original petition for a waiver, the Commission should grant a waiver of the effectiveness of its Declaratory Ruling until the adoption of rules concerning payphones pursuant to the Act.

Respectfully submitted,

PACIFIC BELL
NEVADA BELL

By 
LUCILLE M. MATES
SARAH RUBENSTEIN
POLLY BROPHY

140 New Montgomery Street, Room 1522A
San Francisco, California 94105

MARGARET E. GARBER

1275 Pennsylvania Avenue, N.W., Suite 400
Washington, D.C. 20004

Their Attorneys